



Auditor's Annual Report for West Berkshire Council

Year ended 31 March 2024

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February 2025

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This report is addressed to West Berkshire Council ("the Council"). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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01

Executive Summary



Executive Summary



Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of West Berkshire Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').



Narrative report - We assess whether the narrative report is consistent with our knowledge of the Council.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued a disclaimed opinion on the Council accounts on 27 February 2025 We have provided further details of the key risks we identified and our response on page 8.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that the Council does not have appropriate arrangements in place. We identified significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources in relation to financial sustainability. This is consistent with prior period findings. Further details are set out on page 11.
Other powers	See overleaf.

Executive Summary



There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Governance Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

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Audit of the financial statements



Audit of the financial statements



KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We have not expressed an opinion on the financial statements.

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to investment properties, short-term debtors, short-term other creditors, revenue and capital grant receipts in advance, income from capital grants and contributions, employee benefit expenses and the balance of, and movements in usable and unusable reserves for the year ended 31 March 2024

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Council's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Council's net assets and the split between usable reserves and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

The full audit report is included in the Council's Annual Report and Accounts for 2023/24 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Valuation of land and buildings</p> <p>There is a risk that the amount in the accounts does not accurately represent the fair value of the asset.</p>	<p>We critically assessed the independence, objectivity and expertise of the valuers used and the instructions provided to them, in developing the valuation of the Council's properties at 31 March 2024;</p> <p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;</p> <p>We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; and</p> <p>Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.</p>	<p>We did not identify any material misstatements relating to this risk. We identified three immaterial misstatements, one of which has been corrected by management. The uncorrected items would result in an increase in the land and buildings balance.</p> <p>We raised a recommendation relating to increased management review of valuation outputs and maintaining accessible records of the inputs provided to the valuer.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>
<p>Valuation of investment property</p> <p>There is a risk that the amount in the accounts does not accurately represent the fair value of the asset.</p>	<p>Procedures performed are the same as those performed for land and buildings above, except investment property is valued differently, so we have evaluated in line with the relevant standards and the CIPFA Code.</p>	<p>We were unable to complete our work on the valuation of investment properties due to a lack of response to our queries from the previous valuer.</p>

Audit of the financial statements



Significant financial statement audit risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>Management are in a unique position to manipulate or circumvent the systems in place.</p>	<p>Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.</p> <p>Evaluated the selection and application of accounting policies.</p> <p>In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.</p> <p>Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</p> <p>We analysed all journals through the year and focused our testing on those with a higher risk.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation in relation to evidencing review and approval of transactions and processes.</p>
<p>Valuation of post retirement benefit obligations</p> <p>The amount estimated for pension liability in the accounts is not accurate.</p>	<p>Understood the processes and controls the Council have in place to set the assumptions used in the valuation;</p> <p>Assessed the actuary and the methodology/key assumptions made;</p> <p>Checked and re-calculated using data provided by the Council;</p> <p>Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</p> <p>Confirmed the accounting treatment and disclosures made are accurate and in line with the CIPFA Code.</p>	<p>We found the valuation of post retirement benefit obligations to be balanced</p>
<p>Fraud risk from expenditure recognition</p> <p>There is a risk that expenditure can be manipulated around the year end to produce a more favourable financial position.</p>	<p>We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;</p> <p>We reviewed transactions around the year end by checking invoices and looked at accruals made by the Council at the year end to ensure accuracy and completeness.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We did not raise any recommendations not already covered above.</p>

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Value for Money



Value for Money



Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	18	20
Identified risk of significant weakness?	✓ Yes	✗ No	✓ Yes
Actual significant weakness identified?	✓ Yes	✗ No	✗ No
2023-24 Findings	Significant weakness identified	No significant weakness identified	Risk of significant weakness noted but did not materialise into a significant weakness

Value for Money



National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable. Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

Infrastructure assets

Councils make use of their infrastructure assets data to support decisions in relation to roads, parks, and pavements they are responsible for. Some Councils have experienced issues with the quality of their records for infrastructure. From a financial reporting perspective, temporary arrangements have been put in place to ensure financial statements can be prepared whilst infrastructure records are improved. However, if records are not up to date, Councils will struggle to identify assets they are responsible for and when assets are life-expired and require replacement. That may result in a worsening quality of infrastructure that everyone depends on.

Local context

The Council acknowledges that it is in a difficult financial position and management are clear in their reporting through internal and external facing Finance papers that substantial savings are required in order for the Council to continue in the medium term without external financial intervention.

In 2023/24 the level of usable reserves (the General Fund) available at the year end breached the s151 Officer’s level of prudent reserves. This is among the lowest reserves in the country according to government statistics.

The Council approved a budget for 2024/25 with anticipated year end reserve levels of £4.2m against a recommended minimum of £7m. The 2024/25 forecast revenue outturn position is an overspend of £2-£2.5m, and as a result the estimated General Fund balance at 31 March 2025 is anticipated to be between £3.4m and £3.9m with no additional earmarked revenue reserves.

The Council is undertaking a transformation programme over a number of years to increase financial resilience, however national pressures in areas such as adult social care continue to impact the Council’s budgeted savings.

Despite the financial outlook, the Council continues to deliver ‘Good’ services according to the most recent reports from the primary regulators.

Financial Sustainability



How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Conclusion on financial sustainability

We identified a risk of significant weakness in this area as part of our risk assessment process. This was the risk that the Council does not have sufficient arrangements in place to weather severe financial pressures, coupled with historic low levels of reserves; and increasingly high efficiency savings required, which have not been met in the current year.

We have concluded that there is significant weakness surrounding financial sustainability, summarised on page 15.

Delivery of the financial plan and position on reserves

The Council set a balanced budget for the 23/24 financial year, including total assumed savings in the budget of £9 million (£5.3 million required in 22/23 with 77% achieved). The 2023/24 Quarter 4 Performance Report states that just 56% of the total identified savings were achieved, with a provisional outturn overspend of £3.1 million. The authority does not have significant reserves to draw from and this reduced the General Fund balance to £4.1 million (excluding earmarked reserves). This compares unfavourably to other authorities as noted in the below extract from the CIPFA Resilience Index 2022-23 (where the position has deteriorated in 2023-24) and other benchmarking (discussed in the *Improving Economy, Efficiency and Effectiveness* section¹)



CIPFA Resilience Index 2022-23

The total General Fund for the year saw another year on year decrease, leaving a balance of £7.6 million (£11.5 million 2022/23). This includes £3.5 million of earmarked reserves (excluding schools). The primary driver for the adverse variance to budget was a large overspend of £8.9 million in the People Directorate, where adult social care and children services overspent by £2.2 million and £3.9 million respectively, echoing trends seen nationally where spend has expanded beyond budgeted expectations in recent years.

The balance on the General Fund at the end of 2023/24 is £4.1 million, compared to the £7 million deemed prudent by the authority's s151 Officer's annual statement on adequacy of reserves and therefore any further reduction in reserves would not be sustainable.

Financial Sustainability

Capital programme progress

The Council set a capital development programme totalling £71 million. Provisional outturn at Q4 per the Capital Financing Performance Report suggested an underspend of £23 million. This is largely due to projects and recruitment being slowed to generate savings for the General Fund. Capital spend in year included delivery of an upgraded Lido facility at Northcroft Leisure Centre; purchase of 18 properties and redevelopment of a former Council office into accommodation in conjunction with the Local Authority Housing Fund project. £20.7 million was also spend on infrastructure improvement, including Newbury rail station improvements.

Approval of financial plans and monitoring of Financial results

We reviewed the high-level budgeting process as part of our risk assessment process, whereby the Council's processes are in line with expectations: guidance is issued by Finance and Budget Managers are required to propose a budget with supported efficiencies. These are then reviewed and challenged through the Corporate and Budget Board.

All approved budgets generate a tracker that is reported monthly as part of the budget monitoring process. Quarterly Revenue and Capital Performance Monitoring are reviewed by the Executive. The Corporate Management Team also have a monthly meeting dedicated to performance as well as a dedicated Financial Reporting Panel to review all overspending in services. We have reviewed the financial monitoring processes in greater detail as part of our response to the risk in this area.

Further commentary is available across the following pages that detail our response to the risk of significant weakness identified.

Key financial and performance metrics:	2023-24 (£m)	2022-23 (£m)
Planned surplus/(deficit)	Breakeven	Breakeven
Actual surplus/(deficit)	(3.1)	(0.77)
Usable reserves*	7.6	11.6
Year-end cash position	17.3	19.7

*includes earmarked General Fund Reserves, General Fund balance of £4.1 million 23/24 (£7.2 million 22/23)



Value for Money – significant weakness



Financial resilience

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability and to improve economy, efficiency and effectiveness.

Significant Value for Money Risk

Financial stress on the Council relies on tight budgetary constraints and limited scope for further significant overspend.

Our response

We performed the following procedures:

1. Considered the Council's arrangements and structures to monitor and deliver a balanced budget;
2. Understood the process for identifying savings and other available levers to the Council if any;
3. Reviewed recent budget monitoring and performance throughout the period and to date; and
4. Conducted interviews with senior management to understand the continuing financial stability of the Council.

Our procedures above also reviewed any possible issues with efficiency savings and plans to avoid overspend, detail on page 16.

Our findings

Findings

The Council has a high reliance on council tax, which it historically increased by less than the maximum amount in previous years. Coupled with lower reserves to rely on, largely national pressures have hit the Council quicker than some others and have overwhelmed the Council's saving plans.

Additional review confirms that many of the core pressures on the Council's budget are familiar to all unitary Councils in the national context. It also suggests that current savings and transformation plans may be insufficient in the short term.

Although the plans in place are showing results in individual directorates in the specific areas they are targeted, it likely requires a larger, more ambitious plan – which is also suggested in the recent LGA Corporate Peer Challenge, completed in February 2024.

Individual directorates are highlighted as areas with overspend, but the Council should act more centrally.

Experience with other organisations in a similar context suggests that a further centralised approach to savings could be helpful, whereby overspend is reviewed and mitigated more holistically at a Council-level on a frequent basis. This could be resolved through an additional Board or equivalent meeting, with authority to pull levers quickly, centrally and cross-directorate to mitigate overspend.

This would require organisational buy-in to understand the tough choices that may be required to balance to the budget despite increasing pressures.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to financial sustainability.

Financial Sustainability Risk

Delivering savings to achieve the balanced budget

As noted above, the Council has set a balanced budget for 2023/24, however this was not achieved. As part of our work on the risk, we held meetings with stakeholders to better understand the drivers of the overspends and challenges in the budgets, including the Interim Chief Executive Officer; the s151 Officer; the Service Director for Children's Social Care; and other key personnel.

The key area of overspend in 2023/24 relate to Children & Family Services ('Children's', £3.9 million) and Education (£2.9 million). The main drivers behind this are consistent with the national picture.

Children's issues can be traced to increasing demand for residential placements that are expensive, alongside difficulty with recruitment and therefore some reliance on agency staff. The latter has halved in the following period. Two Panels (Resources and Access to Resources) have been set up to provide monthly/bi-monthly monitoring of on-going costs.

Education overspend is largely due to SEND and the national shortage of specialist school provision, as well as increasingly home school transport costs as the Council funds placements increasingly distant from the need.

The Council has embarked on a transformation programme, presented to the Executive on 21 September 2023, which aims to improve key areas of spend and service delivery. This is monitored on a regular basis through the Budget board, however the directorates still are recording an overspend.

Council senior management acknowledge and are transparent in their reporting about the scale of the challenge. With the Council's revenue highly geared towards council tax and business rates, there is limited scope for significant short term increases. That said, it is anticipated that four to five hundred houses planned in the area per annum will increase revenues by £2.5-3 million without any significant change in the Council's current operations.

The Council is also part of the Department for Education's Delivering Better Value programme as it is acknowledged West Berkshire is at significant risk of issuing a s114 Notice should the statutory override (supporting SEN costs in DSG deficits) be withdrawn in line with the current date (March 2026). A recent NAO report suggests 43% of local authorities are in a similar position however, so this is also very much a national problem.

Latest update and Exceptional Financial Support (EFS)

The Council approved a budget for 2024/25 with anticipated year end reserve levels of £4.2m against a recommended minimum of £7m. The 2024/25 forecast revenue outturn position is an overspend of £2-£2.5m, and as a result the estimated General Fund balance at 31 March 2025 is anticipated to be between £3.4m and £3.9m with no additional earmarked revenue reserves.

In January 2025, the council submitted a request for Exceptional Financial Support (EFS), totalling £16m, designed to support enhancing resilience of the Council's General Fund and the capacity for the Council to respond to any additional unforeseen financial pressures.

This request was approved in February 2025 through what is called a "capitalisation direction". It is one-off funding that allows local authorities to treat certain revenue spend as capital spend. This means that instead of funding these costs from the revenue budget (which must be balanced annually), they can be funded by borrowing or from capital receipts i.e. asset sales.



Value for Money: Recommendations



The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Key	<p>Issue</p> <p>The Council's reserves position is critically low for maintenance of seamless on-going services</p> <p>Impact</p> <p>The Council is increasingly vulnerable to overspends in services and may need to request additional funding via an exceptional financial support request to avoid a future section 114 scenario.</p> <p>Recommendation</p> <p>The Council should be bolder and more urgent in their Transformation programme with powers and levers to challenge and mitigate overspends on a Council-wide, cross-directorate basis</p> <p>This could be supported by a focused, centralised, regular 'emergency spend control' forum, with powers and levers to challenge and mitigate overspends on a Council-wide, cross-directorate basis.</p>	<p>The Council has had a spend control panel established since July 2023 - the Financial Review Panel (FRP). This initially reviewed all expenditure over £1,000. Those limits have subsequently been increased, but the FRP continues to meet weekly to review and approve agency and recruitment activity. The Council is moving into the second phase of the Transformation Programme, using external assurance to highlight greater levels of savings that can be delivered to support the budget position.</p> <p>In January 2025, the Council submitted a request to secure additional support of £16m within Central Government's Exceptional Financial Support framework.</p> <p>Of the total requested, £13m is intended to be utilised in the 2024/25 financial year, with £3m to be applied during 2025/26. The primary requirement for this request is the Council's need to replenish usable reserves. This request was approved in February 2025.</p>

Governance



How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Conclusion on governance arrangements

We did not identify a risk of significant weakness in the area of governance. This is due to the procedures performed during our risk assessment identifying the Council to have appropriate and effective processes in place to monitor and assess risk.

Risk management

The Council's guiding governance document is the Constitution, last updated in August 2024, which clearly lays out the structure and responsibilities of the Council, Councillors, its various Committees and interaction with citizens, as well as outlining the ethics and corporate governance policies. This is built on with the Council's risk management policy, which further formalises the risk management structures within the authority.

There are three levels of risk register operated within the Council. Lower level risk registers are reviewed by operational and/or directorate management teams, with the opportunity to promote the risk to the Corporate Risk Register. Roles and responsibilities for various registers, identification of risk, and practicalities of raising a risk are clearly defined. Our review of the risk register found that this was sufficiently detailed to effectively manage key risks and we identified evidence of review within the Governance Committee throughout the year.

Fraud, Laws and Regulation and Officer compliance

The effectiveness of internal controls is monitored by the Governance Committee, through reporting from Internal Audit and Counter Fraud. The programme of work for each organisation is approved at the start of the financial year by the and any recommendations raised are reported to the Governance Committee. Our review of the Committee papers confirmed that there were appropriate discussions and follow up of recommendations. There were no reports issued in year with less than Reasonable assurance.

Governance structures

The Council has recently updated its Constitution and organisational structure. This may help continual improvement of the governance processes, however a recent LGA Corporate Peer Challenge suggested staff still were not familiar with the changes as at the end of 2023/24 and further simplification could help. Higher turnover in some departments likely doesn't assist with the broader transformation efforts as internal knowledge and experience leave the organisation.

Governance



View from the Regulators

We reviewed the reporting and inspections from the key regulators within the local government sector. Some of the key findings are shown in the table below.

The majority of these are rated Good, across the sectors of Children's services, Adult and Community Learning and care within the remit of the Care Quality Commission ('CQC'). This indicates that regulators also consider the governance of West Berkshire's services in these areas to be appropriate.

We identified one report regarding one care home (Birchwood) to be rated 'Requires Improvement'. We did not consider this to be indicative of a significant weakness, however we did note this to understand better for our final conclusion.

We followed up regarding the Birchwood rating as part of our finalisation of the work over this area and spoke with the Executive Director with responsibility for Adult Social Care and Public Health to understand the Council's response to this rating. As part of this, we reviewed a detailed action plan, which had the concerns plus actions and status against these actions, alongside the responsible person. The majority of these actions were deemed completed as at the financial year end. We also reviewed detailed reporting to the Corporate Board specifically addressing the action plan and metrics on medication management at Birchwood to align with the risk areas identified in the CQC report.

The Council's on-going response is deemed appropriate and does not indicate a risk in this area.

	2023-24	2022-23
Key areas for improvement reported in the Annual Governance Statement	Financial resilience, Delivering better value in Special Educational Needs and Disability services programme, The delivery of an expanded Transformation programme, Embedding Senior Management structures to provide clear and consistent direction for stewardship for the organisation.	Financial resilience, Staff recruitment and retention, The delivery of a Transformation programme, New governance structure.
Head of Internal Audit Opinion	Reasonable assurance	Reasonable assurance
Ofsted rating	No ratings issued in year. Focused inspection identified no issues.	Children's Services – Good. Adult & Community Learning – Good.
Care Quality Commission rating	Latest published inspections are July 2023, indicating no change to the 'Good' ratings. Birchwood has not been reviewed in year.	No overall rating – individual services all rated as 'Good' except Birchwood Care Home: 'Requires Improvement'

Improving economy, efficiency and effectiveness



How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Conclusion on arrangements for improving economy, efficiency and effectiveness

We identified a risk of significant weakness in this area as part of our risk assessment process. This was driven by the Council missing savings targets and therefore there was a risk that arrangements were not sufficiently in place to drive the economy and efficiency needed.

We have covered the additional work completed in the Financial Sustainability, as there is a lot of overlap for this risk.

We have concluded that there is not significant weakness in arrangements to improve economy, efficiency and effectiveness.

Assessing Value for Money and Opportunities for Improvement

As noted in the Financial Sustainability section, efficiencies are built into the budgeting process. The Council had a target of £9 million regarding cost savings for the financial year 2023/24, which we noted above having not been met in year, with 56% of savings rated as 'Green' in the Council's traffic light system to monitor savings.

Looking forwards, a higher level of savings were included in budgets for 2024/25 with £14.5 million of savings required. As noted in the financial sustainability section of our report, the Q1 revenue outturn suggests a significant overspend (£5.5 million) compared to budget to date. Typically cost saving performance is reported as part of regular reporting to the Council and reviewed in the Scrutiny Commission meetings.

Monitoring of Performance of Services

Performance reporting and monitoring of efficiency plans occur at all levels of the Council. KPMG have reviewed the in-depth reporting, which includes details of each saving identified in the Medium Term Financial Plan, progress to date by monetary value, forecast savings and some commentary over variances. Appropriate challenge can be evidenced in all meetings reviewed.

The Governance Committee review the Corporate Risk Register quarterly and Council also have oversight of the position annually through the Budget and the associated Chief Finance Officer's Report on the Robustness of the Council Budget. The Corporate Plan also includes performance measures, key projects and initiatives and other non-financial metrics which also are reported through Committees as part of the quarterly reporting.

Improving economy, efficiency and effectiveness



Benchmarking

The Council operate limited independent benchmarking activities on a case by case basis and review national benchmarking performed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA).

As part of our initial review, we have assessed the outputs from the Local Authority Data Explorer (Oflog), the CIPFA Financial Resilience Index and the LGA Inform Value for Money Profiles. The Oflog data shows that although the Council's level of band D council tax rates are around average for England and similar local authorities, non-ringfenced reserves as a percentage of net revenue expenditure and as a percentage of service spend is the lowest in the country.

Current benchmarking on the CIPFA Financial Resilience Index is based on 2022-23 data, however we expect the inputs to be similar for 2023/24 and its indicators of financial stress suggest the authority is higher risk compared to its Nearest Neighbours and other Unitary Authorities, with areas such as the 'Reserves Sustainability Measure' and 'Level of Reserves' at the highest end of risk among the grouping.

This illustrates the scale of the challenge for West Berkshire: its existing reserves are among the lowest in the country for similar organisations.

We have considered this further in the Financial Sustainability section.

The LGA Inform Value for Money Profiles were also reviewed by KPMG. We reviewed multiple metrics, including 'Total non schools reserves as a percentage of net current expenditure' among others. Although the Council trends in the same direction as the mean for all English single tier local authorities, its reserves are substantially lower which leaves little room to absorb adverse variances to budget. There is one larger outlier other than reserves, which is Total expenditure on environmental services per head and West Berkshire shows as one of the higher of single tier authorities and growing again in 2023/24 – this is largely driven by the waste PFI, discussed below.

Partnership Working, including Managing Outsourced Services

The Council have a long standing Private Finance Initiative (PFI) with Veolia ES West Berkshire Limited, entered into in March 2008 and runs to September 2032. This relates to the provision of waste collection and disposal services, which included the construction and operation of an Integrated Waste Management Facility at Padworth Sidings. At the end of the contract, the Council will receive control of the asset. The contract represents significant annual outlay to the Council, with £22 million payable in 2023/24. This remains one of the largest 'unalterable' costs in the annual budget.

The Council also has a number of local partnerships (including the recently established Berkshire Prosperity Board) and those required through the provisions of services alongside local NHS bodies and other Councils in the region.

All new contracts are approved by the Council's Procurement Board.

Value for Money: Recommendations



Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2025
1	Key	<p>Issue</p> <p>Significant weakness in arrangements for financial sustainability</p> <p>Impact</p> <p>The Council has some of the lowest reserves and highest debt to asset ratios in England. It has debts of £62 million associated with properties that are only worth £51 million. The Council incurred a small overspend in 2022/23 and is forecasting an overspend again in 2023/24, despite spending controls having been adopted. For the next four years, the Council forecasts a £30 million budget gap.</p> <p>Recommendation</p> <p>The Council must monitor its financial position and the impact of spending controls closely. As a priority, the Council should consider all possible options, including those that focus on People Directorate contract spend but also other areas of the revenue account where efficiencies may be possible.</p> <p>Options under current discussion include disinvestment from capital assets with negative equity values. It will be important that any exit strategy adopted by the Council is supported by professional advice, reviewed regularly, and is subject to appropriate scrutiny and challenge.</p>	<p>The Council continues to monitor spending closely with high levels of control and has a Transformation programme in place to help seek out further efficiencies. The Financial Review Panel remains in place through into the 2024-25 financial year. Any property disposals from Commercial Property come to the Executive for approval and are subject to professional external advice.</p>	<p>Financial monitoring is established as a quarterly routine. The Council's Executive Board continues to formally approve all asset disposals within the Commercial Property Portfolio. The Financial Review Panel convenes on a weekly basis to review establishment spend and agency recruitment expenditure.</p>



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